

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U-338-E) for Authorization: (1) to Replace San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3) Steam Generators; (2) Establish Ratemaking for Cost Recovery; and (3) Address Other Related Steam Generator Replacement Issues.

Application 04-02-026
(Filed February 27, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING
DENYING MOTIONS TO STRIKE AND POSING
A QUESTION TO BE ADDRESSED AT HEARINGS**

On December 28, 2004, Southern California Edison Company (SCE) filed motions to strike the pre-served testimonies of David A. Schlissel on behalf of The Utility Reform Network (TURN), and James Avery, Michael S. Schneider, and Marina Vengrin on behalf of San Diego Gas & Electric Company (SDG&E).

SCE's motion regarding Schlissel's testimony concerns testimony related to litigation regarding Westinghouse. The relevance of this testimony is related to the similarity between the steam generators provided by Westinghouse, and those provided by Combustion Engineering including, but not limited to design specifications, materials, contract terms, guarantees, and litigation. Based on my reading of the testimony and pleadings, it appears that the testimony may be relevant. Therefore, I will not strike it at this time.

Avery's testimony addresses tax consequences and risks related to the steam generator replacement program (SGRP). Schneider's testimony addresses

the cost-effectiveness of SDG&E's participation in the SGRP. Vengrin's testimony addresses possible income tax consequences of the SGRP. All of these testimonies address issues that may be related to the cost-effectiveness of the SGRP. Therefore, I will not strike them at this time.

As I stated above, these testimonies may be relevant. However, I will expect the parties to demonstrate that they are. In particular, SDG&E's testimonies address possible revisions to contractual relationships between SCE and SDG&E. Ordering or approving such revisions are not within the scope of this proceeding. However, the revisions appear to be intended to address issues of cost that may be related to the cost-effectiveness of the SGRP. I will expect SDG&E to demonstrate that this is the case at hearings.

The following is a question I would like the parties to address at the hearings. Assume that the SGRP is found to be cost-effective for SCE under the assumption that SCE pays for all of the SGRP, and SDG&E retains its 20% ownership. Since this a worse case, the SGRP would then be cost-effective for SCE regardless of the actual ownership share retained by SDG&E. Since SDG&E has chosen not to participate in the SGRP, it will not incur any SGRP costs. Therefore, the SGRP will be cost-effective for SDG&E. As such, the SGRP could be approved. The cost-effectiveness of a sale of all or part of SDG&E's ownership share would be addressed in SDG&E's future application under Public Utilities Code Section 851. Do you agree with these statements? If not, explain why?

Therefore, **IT IS RULED** that Southern California Edison Company's motions, filed on December 28, 2004, to strike the pre-served testimonies of David A. Schlissel on behalf of The Utility Reform Network, and James Avery,

Michael S. Schneider, and Marina Vengrin on behalf of San Diego Gas & Electric Company are denied.

Dated January 7, 2005, at San Francisco, California.

/s/ JEFFREY P. O'DONNELL

Jeffrey P. O'Donnell
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail, to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Denying Motions to Strike and Posing a Question to be Addressed at Hearings on all parties of record in this proceeding or their attorneys of record.

Dated January 7, 2005, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.